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The Honorable Charles L. A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Proposed Revisions to Commission Regulations, Article 3, Electric Systems and Article 4, Gas Systems

Dear Mr. Terreni:

On behalf of South Carolina Electric & Gas Company ("SCE&G" or the "Company"), let me thank the Commission for giving the Company the opportunity to comment on the proposed revisions to the Commission's Rules and Regulations, specifically Article 3, Electric Systems, S.C. Reg. 103-300 *et seq.*, and Article 4, Gas Systems, S.C. Reg. 103-400 *et seq.*

I. Electric Accident Reporting

SCE&G would respectfully request that the Commission not adopt its proposed changes to Section 103-315 of the Electric Systems Regulations. Section 103-315 currently requires electric utilities to report accidents involving death, personal injury or "serious property damage." (The reports were made originally to the Commission Staff, but now go to the Office of Regulatory Staff ("ORS").) For each such incident, a detailed written report concerning the cause of the accident and the response to prevent future accidents is required to be filed later.

The proposed regulation substitutes "property damage in excess of \$5,000" for the term "serious property damage" in the existing regulation. The proposed regulation also requires notification by certified mail to all affected customers even if the amount of damage is less than \$5,000.

In SCE&G's experience, the current regulation works well. Practice under it is clearly understood by all parties and has been shaped by years of shared experience between the utilities and the staffs of the Commission and ORS. To the best of SCE&G's knowledge, no party has raised any concerns about accident reporting requirements under the current electric regulations.

Furthermore, SCE&G and the other electric utilities operate vertically integrated electric systems. Those systems comprise not only distribution operations, but also major generating plant and transmission facility operations. What constitutes "serious property damage" may vary substantially depending on what part of the electric system is involved in an incident. For example, a very minor, even routine, equipment failure at a large generating plant can easily involve costs that exceed \$5,000.

The flexibility inherent in the term “serious property damage” is very useful in this context. Amending the regulation to substitute the fixed \$5,000 requirement for the more flexible terms currently used could cause a great deal of unnecessary documenting, reporting and investigation of what are really routine operational events on the system.

As to other concerns about the proposed amendment to Section 103-315 of the Electric Systems Regulation, please see SCE&G’s comments related to similar language proposed for accident reporting on the gas system, Section 103-412, part 2.6(g) and Section 103-415, as set forth below.

SCE&G would respectfully submit to the Commission not to make substantive amendments to Section 103-315 of the Electric Systems Regulations.

II. Gas Accident Reporting

Section 103-415 of the Gas System Regulations currently requires that a gas utility report to the Commission (now ORS) by telephone any gas leaks on the utility’s system if they result in death or serious injury or “property damage in excess of \$5,000.” The \$5,000 threshold contained in the existing gas regulations reflects the fact that gas systems are not vertically integrated systems like electric systems and so a fixed dollar amount for mandatory reporting is workable.

Customer Notice

The most significant change proposed in this regulation is that the utility be required to notify the customer of all accidents on the system that cause property damage. The notification requirement would exist even if the event does not involve property damage of \$5,000 or more. Specifically, the proposed regulation states:

After the gas utility conducts its investigation, if it finds that the property damage does not exceed \$5000, the gas utility shall notify the affected customer of its findings in writing by certified mail. This notification shall inform the customer that the gas utility has not reported the incident to the Office of Regulatory Staff because its investigation concluded that the property damage from the leak did not exceed \$5000. Further, the notification shall inform the customer that if the customer disagrees with the gas utility’s findings that the customer can file a written complaint with the commission and provide a copy of the complaint to the ORS. The gas utility shall include the commission’s name and address and the ORS’s name and address in the notice to the customer.

Proposed Section 103-415, noticed April 25, 2006. Similar language is proposed to be added to Section 103-412, part 2.6(g).

SCE&G urges the Commission not to adopt the proposed changes to these two regulations. Instead, SCE&G requests that the Commission preserve the current requirement that all accidents involving death, serious injury or property damage in excess of \$5,000 be reported to the ORS by telephone and subsequent written report. There are several reasons why SCE&G strongly urges the Commission to adopt its alternative language related to customer damage reporting.

1. Separation of Safety Reporting and Customer Service Functions:

The proposed regulations would not preserve the current separation of utility safety reporting to the regulator from the claims settlement process with customers. SCE&G and all other utilities have well-established processes for fairly and responsively resolving property damage claims with customers. There are equally well-established avenues for customers to complain to the Customer Services Division of ORS and ultimately to the Commission, if SCE&G's efforts are not successful.

Safety reporting regulations like Sections 103-412, part 2.6(g), and 103-415 serve an entirely different function. They ensure that ORS has the information and data it needs to monitor, investigate and regulate the safety of the natural gas system. Injecting customer complaint issues into the safety regulation process would not be consistent with the purpose of the safety regulations or the effective functioning of the regulatory system. Doing so creates the substantial risk of duplication of effort between the safety and customer affairs operations of both the utilities and the ORS.

SCE&G respectfully urges the Commission not to allow these two distinct functions to become confused.

2. Administrative Costs and Burdens:

In addition, there could be substantial administrative costs and burdens related to adoption of the revised regulations as proposed. The proposed regulations require notices be mailed to customers in all cases where a gas leak results in any property damage. The effect of the proposed regulation would be to require utilities to prepare formal documentation and send notices to customers by certified mail, even where gas leaks involved only a minimal amount of property damage. Repairing even the most routine gas leaks regularly involves minor property damage such as digging, re-sodding part of a lawn, or repaving part of a driveway. From an operational standpoint, the amended regulation could mean that utilities would bear the administrative expense of creating and mailing documentation to customers for what are otherwise purely routine repairs. The cost of complying with the amended regulation could be substantial and ultimately would be borne by utility customers through a loss of utility efficiency and higher rates.

3. Direction to Customers Concerning Formal Complaints

If the Commission is nonetheless inclined to adopt the regulations as drafted, SCE&G would ask the Commission to consider whether the notice to the customer should direct the customer only to contact ORS, and not suggest that a complaint be filed with the Commission at the outset. The current draft would have the notice from the utility instruct the customer about the right to file a complaint with the Commission. The ORS however may well be able to resolve the matter without a formal Commission proceeding. Accordingly, SCE&G would suggest that if the regulation is adopted in the proposed form, it should only require that the notice instruct the customer to contact ORS.

Gas Utility Definition.

SCE&G would also propose a change to the definition of "Gas Utility" in proposed S.C. Reg. 103-402(6). The existing version of the regulation defines a Gas Utility as an entity providing Gas Service, and it defines Gas Service as the service provided by a Gas Utility. To eliminate this circularity, the Commission might consider the following as a replacement to the first sentence of the definition of Proposed S.C. Reg. 103-402(6): "'Gas Utility' includes every entity that is defined as a public utility under Chapter 5 of Title 58 of the Code of Laws of South Carolina Annotated, based on its provision of natural gas to the public." The sentences following would remain unchanged.

Again, SCE&G would like to thank the Commission for the opportunity to provide comments on these proposed regulations. Please contact us if we can be of further assistance.

With kind regards,

A handwritten signature in black ink, appearing to read "P. Banks Morrison", with a stylized, cursive script.

Patricia Banks Morrison